



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

August 12, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**2008-09 DEBT MANAGEMENT GUIDELINES; BOND ANTICIPATION NOTE
AUTHORIZATION AND BAN REIMBURSEMENT RESOLUTION;
TAX-EXEMPT COMMERCIAL PAPER AUTHORIZATION
(ALL DISTRICTS) (3 VOTES)**

SUBJECT

These actions will establish debt issuance guidelines that limit the issuance of County debt financing instruments in 2008-09; provide for interim financing of equipment acquisitions; and allow short-term tax-exempt commercial paper issuances to provide interim financing for high priority capital projects.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the Debt Management Guidelines, which limit the issuance of various debt financing instruments in 2008-09.
2. Approve the issuance of short-term Bond Anticipation Notes in an aggregate amount not to exceed \$57.1 million to finance the acquisition of various equipment needs through the Los Angeles County Capital Asset Leasing Corporation.
3. Approve the issuance of Tax-Exempt Commercial Paper in the amount of \$129.5 million to finance projected design and construction costs in 2008-09 of seven Health Services statutorily required and high priority projects identified in our DHS Hospital Improvement Financing memorandum to your Board on January 23, 2006 as reaffirmed November 17, 2006.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

4. Adopt "Resolution of the Board of Supervisors of the County of Los Angeles Declaring its Intention to Reimburse Certain Capital expenditures from the proceeds of Taxable or Tax-Exempt Obligations (2008-2009 Equipment BANs Program).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will establish guidelines that limit the issuance of County debt financing instruments in 2008-09 and allow the issuance of short-term Bond Anticipation Notes (BANs); to provide interim financing of equipment acquisitions in accordance with federal tax regulations; and allow the issuance of tax-exempt commercial paper (TECP) to provide interim financing of statutorily required or high priority health facility and Fire Department projects.

Background

On July 3, 1990, the Board of Supervisors adopted Comprehensive Debt Management Guidelines (Guidelines) to regulate the use of various financing instruments. The Guidelines provide limits for the issuance of short and long-term obligations. They do not apply to voter-approved debt or debt incurred by Agency funds. The Guidelines are reviewed annually and an annual update is filed with the Board regarding the following types of obligations:

- Bond Anticipation Notes
- Short-Term Tax-Exempt Notes
- Long-Term Leasehold Revenue Bonds or Certificates of Participation
- Unrated Short and Long-Term Obligations

The limits adopted for each of these debt categories are expressed as a percentage of the Total County Budget and represent the maximum amount of short-term obligations such as the BANs or TECP, which may be issued as well as the maximum level of annual debt service on intermediate and long-term obligations, bonds and certificates of participation (COPs), which may be incurred during the fiscal year.

In 1990, the Board of Supervisors approved a limit on the level of BANs issued and outstanding for capital projects and equipment equal to 2.0 percent of the Total County Budget. The Board also approved a limit on the annual payments due on intermediate and long-term bonds, or COPs equal to 4.0 percent of the Total County Budget, and 0.4 percent for unrated, publicly offered obligations. Since that time, your Board has adjusted these maximum annual limits based on anticipated debt issuances. For the 2007-08 Debt Guidelines, your Board approved a limit on short-term BANs and TECP at 1.4 percent of the Total County Budget, 4.0 percent for intermediate and long-term bonds or COPs, and at 0.4 percent for unrated publicly offered obligations.

2007-08 TECP Program Highlights

LAC+USC Medical Center Replacement Project (Replacement Project)

During 2005-06, your Board approved the securitization of a portion of future tobacco settlement funds to repay all outstanding TECP issued for the Replacement Project. On February 8, 2006, the Treasurer-Tax Collector successfully completed the sale of tobacco securitization bonds and repaid \$267.6 million in outstanding Replacement Project TECP. At that time, we advised your Board that no additional TECP would be necessary to fund the Replacement Project. However, in March 2007, the California Office of Emergency Services, which administers the Federal Emergency Management Agency (FEMA) grant funding, notified the County that the remaining \$94.3 million balance of FEMA reimbursement for the Replacement Project would not be released until all work on the project had been finished and an audit completed. The delay in reimbursement created a gap in project funding, which needed to be bridged to ensure the timely completion of the project and fulfillment of contractual obligations. On July 24, 2007, your Board approved a not to exceed limit of \$94.3 million on the issuance of TECP to finance Replacement Project costs and bridge the funding gap and the full \$94.3 million was issued during 2007-08. Upon completion of the FEMA audit and release of reimbursement funding, the funding will be used to redeem the TECP.

Santa Clarita Fire Station Projects

On May 13, 2008, your Board approved the issuance of \$79.0 million TECP for interim project financing for six high priority fire station projects in the Santa Clarita Valley, as listed in Table 1. A projected \$35.0 million is necessary to fund project costs through June 30, 2009, and that amount is incorporated in authorized 2008-09 TECP issuance for these projects. Design is expected to be completed by March, 2009.

Table 1 – Santa Clarita Valley Fire Station Projects

Project		Projected 2008-09 TECP Issuance	Total TECP Authorization
Fire Station 104	New Station (C.P. 70930)	\$ 5,500,000	14,708,000
Fire Station 128	New Station (C.P. 70966)	8,500,000	11,913,000
Fire Station 132	New Station (C.P. 70931)	4,000,000	10,020,000
Fire Station 143	New Station (C.P. 70932)	4,000,000	10,749,000
Fire Station 150	New Station (C.P. 88936)	8,000,000	19,565,000
Fire Station 156	New Station (C.P. 70973)	4,800,000	11,694,000
Total		\$ 34,800,000	78,649,000
	Contingency	200,000	351,000
Total		\$ 35,000,000	79,000,000

Release of County Courthouse Properties

On June 17, 2008, your Board approved a substitution of TECP-pledged properties, to permit the release of courthouse properties for transfer to the State. Most of the courthouse properties have subsequently been released from the TECP program, with the remaining properties expected to be released in September 2008.

Proposed 2008-09 Debt Management Guidelines

The Proposed 2008-09 Debt Management Guidelines place a limit on short-term BANs and TECP at 2.0 percent of the Total County Budget and maintain the limits on annual payments as a share of Total County Budget at 4.0 percent for intermediate and long-term bonds or COPs, and at 0.4 percent for unrated publicly offered obligations. Attachment I reflects the maximum limits per the Guidelines and the debt levels in the final 2008-09 budget.

The recommended short-term debt limit for 2008-09 returns the County to the limit approved by your Board under the original Guidelines at 2.0 percent of the Total County budget. The 2008-09 level of short-term obligations is \$442,179,000, which consists of \$15,000,000 in short-term Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) BANs presently outstanding, \$57,134,000 in authorized LAC-CAL acquisitions in 2008-09 as well as \$370,045,000 in TECP. The \$370,045,000 TECP authorization consists of \$240,745,000 for Health Facility Projects (detail in Table 2 below), \$94,300,000 for Replacement Project FEMA gap funding, and \$35,000,000 to fund project costs during 2008-09 for the six new Santa Clarita Valley fire station projects. Of the \$240,745,000 for Health Facility Projects TECP authorization for 2008-09, \$111.2 million consists of TECP outstanding as of July 1, 2008 which was previously authorized by your Board for prior year project costs and \$129.5 million reflects new TECP issuance in 2008-09 to fund current year project costs.

Table 2 – Health Facilities Projects

Hospital	Project (Capital Project Org.)	2008-09 TECP Authorization
Harbor/UCLA	Surgery/Emergency Room Project (C.P. 69220)	84,171,000
High Desert	Multipurpose Ambulatory Care Center Conversion (C.P. 77350)	29,721,000
Olive View	Emergency Room Replacement (C.P. 69249)	24,866,000
M.L.King/Harbor	SB1953 Seismic Retrofit Program (C.P. 86536)	1,000,000
Olive View	SB1953 Seismic Retrofit Program (C.P. 86537)	17,425,000
Harbor/UCLA	SB1953 Seismic Retrofit Program (C.P. 86534)	30,717,000
Rancho Los Amigos	SB1953 Seismic Retrofit Program (C.P. 86536)	27,845,000
Subtotal		215,745,000
	Contingency	25,000,000
Total		240,745,000

We anticipate needing to increase TECP program capacity to \$370.0 million in 2008-09, consisting of the existing \$205.5 million TECP currently issued, which will remain outstanding and an additional \$164.5 million TECP authorized to be issued during the fiscal year. The total anticipated TECP requirements for 2008-09 exceed the current TECP program capacity of \$335.0 million, and we project the current TECP program to have no spare capacity by April, 2009. Prior to that time, our office and the Treasurer and Tax Collector will return to your Board with recommendations to increase the size of the TECP program and issuance limits in order to continue to provide short-term financing for these ongoing projects. Any necessary amendments to the 2008-09 Debt Management Guidelines will be recommended as part of that action.

The recommended limits on annual payments for intermediate and long-term bonds or COPs are consistent with the Guidelines adopted in 1990. The debt and annual payment obligations projected for 2008-09 are specified in Attachment I.

Reimbursement Resolution

In addition to adopting the proposed debt limits, we are requesting that your Board execute the attached Reimbursement Resolution, as approved by County Counsel, to comply with federal tax regulations governing the recovery of County capital costs from taxable and tax-exempt bond proceeds. Execution of the Resolution will enable the County to maximize reimbursement for costs related to the financing of equipment for various County departments.

Internal Revenue Service Requirements

In 1991, the Internal Revenue Service (IRS) introduced regulations governing the reimbursement of expenditures from bond or COP proceeds. In order to ensure the continued recovery of allowable expenditures, which were related to equipment acquisitions, the regulations require your Board to adopt a Resolution which states the following:

- your Board's intention to finance expenditures related to equipment acquisitions;
- a statement that any such expenditures would be financed through a tax-exempt or taxable issuance of bonds or COPs;
- a qualitative description of the proposed project whose expenditures would be reimbursed from the proceeds of such an issue; and
- identification of the expected source(s) of funds which would initially pay for such expenditures and ultimately be utilized to repay the bond or COP obligation.

The Honorable Board of Supervisors
August 12, 2008
Page 6

The attached Resolution meets IRS regulations and will allow for maximum reimbursement of County expenditures for equipment from future bond sales. Prior and current year costs have been included to allow reimbursement from a future bond sale. A description of the proposed equipment is attached to the Resolution for your review.

FISCAL IMPACT/FINANCING

Approval of the recommended actions will enable the County to finance ongoing equipment and capital needs. Funding for the repayment of BANs and debt service on intermediate and long-term obligations has been included in the Proposed 2008-09 Budget. Attachment II summarizes General County debt obligations as of July 1, 2008.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The attached Reimbursement Resolution has been approved by County Counsel.


IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended actions will ensure that the County's long-standing LAC-CAL Equipment Program continues and provide for the continuation of high priority capital projects without interruption.

CONCLUSION

Upon approval of the recommendations, please forward an adopted, stamped copy of the Board letter and an executed copy of the Reimbursement Resolution to my office.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:DL:JSE
DJT:PB:zu

Attachments

c: County Counsel
Auditor-Controller
Treasurer and Tax Collector

County of Los Angeles
Debt Management Guidelines
Proposed 2008-09 Debt Limits

Obligation Type	Maximum Limits Per Guidelines	Levels in Final 2008-09 Budget
Total 2008-09 County Budget: \$22,268,000,000		
I. Short-Term Obligations Limit on Principal Outstanding as a Percentage of Total County Budget		
a. Dollar Limits		
Outstanding LAC-CAL Bond Anticipation Notes (1)	\$	\$ 15,000,000 (2)
Authorized LAC-CAL Acquisitions in 2008-09		57,134,000 (3)
Tax-Exempt Commercial Paper (TECP): Health Facilities Projects		240,745,000 (4)
Tax-Exempt Commercial Paper (TECP): LAC+USC Replacement Hospital FEMA Gap Financing		94,300,000 (5)
Tax-Exempt Commercial Paper (TECP): Santa Clarita Valley Fire Stations		35,000,000 (6)
Total	\$ 445,360,000	\$ 442,179,000
b. Percent of Total County Budget	2.00%	1.99%
II. Publicly Offered Intermediate and Long-Term Obligations (7) Limits on Annual Payments as a Percentage of Total County Budget		
a. Dollar Limits (in millions)	\$ 890,720,000	\$ 452,371,804
b. Percent of Total County Budget	4.00%	2.03%
III. Privately Placed, Intermediate-Term Equipment Leases (8) Limits on Annual Payments as a Percentage of Total County Budget		
a. Dollar Limits (in millions)	\$ 89,072,000	\$ 27,533,000
b. Percent of Total County Budget	0.40%	0.12%

- Notes:**
- (1) Reflects BANs issued by the LAC-CAL Corporation to the County Treasury Pool which are ultimately redeemed through the issuance of bonds or certificates of participation. Until redemption, interest payments are payable on a semi-annual basis.
 - (2) Reflects amount of LAC-CAL BANs outstanding as of 7/1/08.
 - (3) Reflects the value of acquisitions identified for lease-purchase financing through LAC-CAL in the Final 2008-09 Budget
 - (4) Reflects the \$111.2 million TECP outstanding as of 7/1/08 and the \$129.6 million TECP approved by the Board of Supervisors in this action to fund the 2008-09 anticipated project costs related to capital projects in the Health Facilities Capital Improvement special fund.
 - (5) Reflects the amount of TECP issued for LAC+USC Replacement Project
 - (6) Reflects authorized TECP for high-priority Santa Clarita Fire Stations in 2008-09. Reflects project expenditure requirements through June 30, 2009.
 - (7) Reflects 2008-09 payments due on intermediate and long-term obligations outstanding as of 7/1/2008.
 - (8) Reflects 2008-09 payments on various unrated, privately-placed equipment leases with maturities of 18 to 120 months.

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES DECLARING ITS INTENTION TO
REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM THE
PROCEEDS OF TAXABLE OR TAX-EXEMPT OBLIGATIONS
(2008-09 EQUIPMENT BANs PROGRAM)

WHEREAS, from time to time the County of Los Angeles (the "County") desires and intends to undertake the purchase of tangible personal property having a useful life of three years or more (the "Equipment"), as set forth in the schedule attached hereto; and

WHEREAS, no funds of the County or of any other entity which is a part of the controlled group of which the County is a part (the "Controlled Group") are, or are reasonably expected to be, allocated, reserved or otherwise set aside in the County's budget or in the Controlled Group's budget on a long-term basis to pay the costs of the Equipment; and

WHEREAS, the costs of the Equipment will initially be paid from the proceeds of Bond Anticipation Notes ("BANs") issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and purchased by the Treasurer and Tax Collector of the County; and

WHEREAS, the costs of the Equipment paid with the proceeds of the BANs are expenditures of a type which are properly chargeable to a capital account under general federal income tax principles in connection with the Equipment, and

general federal income tax principles in connection with the Equipment, and

WHEREAS, the County expects to issue taxable or tax-exempt bonds, notes, or certificates of participation, or enter into a tax-exempt lease with a third-party lessor ("Obligations") to redeem the BANs and reimburse the capital expenditures of the County with respect to the Equipment which were paid with the proceeds of the BANs; and

WHEREAS, after issuance of the Obligations, the County will: (1) evidence the reimbursement allocation with an entry in the books or records which it maintains with respect to the Obligations, (2) identify in such entry the actual prior expenditure being reimbursed or the fund from which the expenditure was paid, and (3) be relieved of any restrictions under the relevant legal documents and applicable state law with respect to the amount received as reimbursement as a result of the reimbursement allocation; and

WHEREAS, this Resolution will be reasonably available for public inspection within a reasonable period of time after its date of adoption and in the same manner governing the public availability of records of other official acts of the County Board of Supervisors; and

WHEREAS, this Resolution is intended to be a "declaration of official intent" in accordance with Section 1.150-2 of the regulations of the United States Department of Treasury under the Internal Revenue Code of 1986, as amended (the "Treasury Regulations");

NOW, THEREFORE, this Board does find, resolve, determine and order that in accordance with Section 1.150-2 of the Treasury Regulations, the County declares its

expenditures paid for the Equipment prior to the issuance of said Obligations.

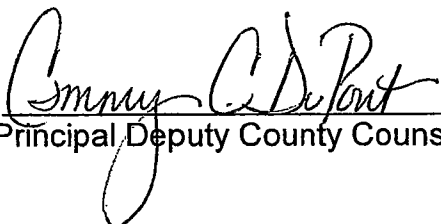
The foregoing resolution was on the _____ day of July, 2008 adopted by the Board of Supervisors of the County of Los Angeles and *ex-officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

SACHI A. HAMAI, Executive Officer,
Board of Supervisors of the County
of Los Angeles

By _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
COUNTY COUNSEL

By 
Principal Deputy County Counsel

**LOS ANGELES COUNTY CAPITAL ASSET LEASING ACQUISITION (LAC-CAL)
EQUIPMENT FINANCING PROGRAM
Summary of Authorized Transactions/Financing Uses
by Department - all Funds**

Department	Equipment Category	Anticipated 2008-09 Acquisitions
General Fund		
Beaches and Harbors	Construction & Heavy Maintenance	\$ 1,254,000
Beaches and Harbors	Vehicle -Automobiles	350,000
Beaches and Harbors	Water Craft	7,000
Coroner	Medical Equipment	1,602,000
Internal Services	Vehicles – Automobiles	9,812,000
Internal Services	Vehicles – Heavy Use	1,417,000
Internal Services	Computer & Data Processing	32,493,000
Probation	Vehicles – Automobiles	1,386,000
Probation	Vehicles – Heavy Use	50,000
Total General Fund		\$ 48,371,000
Health Services Department		
LAC+USC HealthCare Network	Medical	\$ 4,127,000
Rancho Los Amigos NRC	Medical	334,000
Rancho Los Amigos NRC	Non-Medical Equipment	789,000
Coastal and Southwest Care Network	Medical	2,075,000
Coastal and Southwest Care Network	Vehicles – Automobiles	38,000
Coastal and Southwest Care Network	Non-Medical Equipment	161,000
Coastal and Southwest Care Network	Computer & Data Processing	189,000
Coastal and Southwest Care Network	Machinery Equipment	334,000
Coastal and Southwest Care Network	Food Preparation Equipment	62,000
Valley Care Network	Vehicles	25,000
Valley Care Network	Medical Equipment	629,000
Total Health Services Department		\$ 8,763,000
Total Financing		\$ 57,134,000

The equipment identified on this page reflects County equipment requirements to be financed through the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) in 2008-09. The County Board of Supervisors has not allocated, reserved or otherwise set aside any funds in the County's 2008-09 Final Budget to purchase the equipment identified above.

It is officially the intention of the County Board of Supervisors that the acquisition of such equipment be initially funded through the issuance of Bond Anticipation Notes (BANs) or another short-term financing mechanism. The BANs will be issued by LAC-CAL and purchased as an investment by the County Treasury Pool in an amount sufficient to acquire and deliver the identified equipment. Any such costs, which are initially funded by BANs, will be properly capitalized under general federal income tax principles.

Further, the Board of Supervisors expects the outstanding BANs to be redeemed and the County Treasury Pool to be reimbursed, through the issuance of taxable or tax-exempt, intermediate-term lease revenue bonds, certificates of participation, or through a lease with a third-party lessor. The amounts specified above represent the maximum principal amounts of such intermediate-term obligations to be issued for the specified equipment.

These official intentions of the Board of Supervisors with respect to the LAC-CAL Equipment Program have been specified in accordance with U.S. Treasury Regulation 1.150-2.

**GENERAL COUNTY DEBT OBLIGATIONS
SUMMARY SHEET
AS OF JULY 1, 2008**

	Outstanding Principal	Total Future Payments	2008-09 Payments
I. Debt Summary			
a. Total Outstanding Principal	\$ 1,180,113,184	\$ 0	\$ 0
b. Total Future Payments	0	2,311,715,633	0
c. Total 2008-09 Payments	0	0	452,371,804
II. Outstanding Debt By Type of Obligation			
a. General Obligation Bonds	\$ 0	\$ 0	\$ 0
b. Special Fund Obligations	0	0	0
c. Pension Obligation Bonds/Certificates	352,255,398	1,050,633,646	320,338,646
d. Long-Term Bonds/Certificates: Capital Projects	796,477,785	1,228,046,900	115,304,871
e. Intermediate Term Bonds/Certificates	31,380,000	33,035,087	16,728,287
Total	\$ 1,180,113,183	\$ 2,311,715,633	\$ 452,371,804
III. Outstanding Debt by Function			
a. Public Safety	\$ 528,378,018	\$ 743,837,225	\$ 77,956,620
b. General Government	55,725,000	71,127,394	11,541,137
c. Pension Bonds	352,255,398	1,050,633,646	320,338,665
d. Health	137,430,440	162,205,333	28,366,981
e. Culture and Recreation	106,324,328	283,912,036	14,168,401
f. Other	0	0	0
Total	\$ 1,180,113,183	\$ 2,311,715,633	\$ 452,371,804
IV. Distribution of Obligations by Funding Source			
a. General Fund	\$ 445,625,617	\$ 884,255,371	\$ 172,324,705
b. Other Funds			
General Obligation Bond Fund	\$ 0	\$ 0	\$ 0
Hospital Enterprise Funds	228,825,862	434,619,990	111,462,292
Courthouse Construction Funds	323,940,886	507,016,184	31,972,781
Special Districts/Special Funds	68,320,647	147,597,801	33,486,687
Trial Court Trust Fund	18,106,984	54,005,721	16,466,367
Subtotal	\$ 639,194,379	\$ 1,143,239,696	\$ 193,388,128
c. Private Funding (Endowments)	\$ 0	\$ 0	\$ 0
d. State and Federal Subvention	\$ 95,293,187	\$ 284,220,566	\$ 86,658,971
Total	\$ 1,180,113,183	\$ 2,311,715,633	\$ 452,371,804